

JEFFERSON COUNTY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2016

JEFFERSON COUNTY, IOWA

TABLE OF CONTENTS
JUNE 30, 2016

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-9
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Position	A 10
Statement of Activities	B 11
Governmental Fund Financial Statements:	
Balance Sheet	C 12
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D 13
Statement of Revenues, Expenditures and Changes in Fund Balances	E 14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F 15
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities – Agency Funds	G 16
Notes to Financial Statements	17-33
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds	34
Budget to GAAP Reconciliation	35
Notes to Required Supplementary Information – Budgetary Reporting	36
Schedule of the County's Proportionate Share of the Net Pension Liability	37
Schedule of County Contributions	38
Notes to Required Supplementary Information – Pension Liability	39
Schedule of Funding Progress for the Retiree Health Plan	40
Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 41
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 42
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	3 43-44
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4 45-46
Nonmajor Capital Projects Funds:	
Combining Balance Sheet	5 47
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	6 48
Agency Funds:	
Combining Schedule of Fiduciary Assets and Liabilities	7 49-52
Combining Schedule of Changes in Fiduciary Assets and Liabilities	8 53-56
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	9 57-58
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	59-60
Schedule of Findings	61-63

JEFFERSON COUNTY, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard C. Reed	Board of Supervisors	January, 2019
Lee Dimmitt	Board of Supervisors	January, 2017
Becky Schmitz	Board of Supervisors	January, 2017
Scott Reneker	County Auditor	January, 2017
Terri Kness	County Treasurer	January, 2019
Kelly Spees	County Recorder	January, 2019
Gregg Morton	County Sheriff	January, 2017
Timothy W. Dille	County Attorney	January, 2019
Steve Wemmie	County Assessor	Appointed

INDEPENDENT AUDITOR'S REPORT

To the Officials of
Jefferson County, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson County, Iowa as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson County, Iowa, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of the County's proportionate share of the net pension liability, the schedule of County contributions and the schedule of funding progress for the retiree health plan on pages 4 through 9 and 34 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jefferson County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2017, on our consideration of Jefferson County, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson County, Iowa's internal control over financial reporting and compliance.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
February 8, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Jefferson County, Iowa, provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- The County's Governmental funds' revenues decreased \$1,606,964 from fiscal 2015 to fiscal 2016.
- Capital grants, contributions and restricted interest revenues decreased \$2,202,448. .
- The County's Governmental funds' expenses increased \$1,248,109 in fiscal 2016 compared to fiscal 2015. Roads and Transportation expenses increased by \$955,891.
- The County's governmental net position decreased .49%, or \$96,480, from June 30, 2015 to June 30, 2016.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Jefferson County, Iowa as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Jefferson County, Iowa's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Jefferson County, Iowa acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include:
 1. The General Fund,
 2. The Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads,
 3. The Debt Service Fund,
 4. The Capital Projects Funds.

These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for schools, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Jefferson County, Iowa's combined net position increased from \$19,512,103 to \$19,415,623 at June 30, 2016. The analysis that follows focuses on the changes in the net position for governmental activities.

Net Position of Governmental Activities

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Current and other assets	\$ 11,126,041	\$ 10,739,436
Capital assets	<u>18,015,656</u>	<u>18,279,773</u>
Total assets	<u>29,141,697</u>	<u>29,019,209</u>
Deferred outflows of resources	<u>500,476</u>	<u>512,231</u>
Long-term liabilities	2,779,898	2,442,721
Other liabilities	<u>722,695</u>	<u>648,933</u>
Total liabilities	<u>3,502,593</u>	<u>3,091,654</u>
Deferred inflows of resources	<u>6,723,957</u>	<u>6,927,683</u>
Net position:		
Net investment in capital assets, net of related debt	17,315,656	17,344,773
Restricted	3,228,446	3,552,764
Unrestricted	<u>(1,128,479)</u>	<u>(1,385,434)</u>
Total net position	\$ <u>19,415,623</u>	\$ <u>19,512,103</u>

Net position of Jefferson County, Iowa's governmental activities decreased by \$96,480 (\$19,415,623 compared to \$19,512,103). The largest portion of the County's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position—the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at \$(1,128,479) at June 30, 2016 an increase of \$256,955 from the prior year.

Changes in Net Position of Governmental Activities

	<u>Year ended June 30, 2016</u>	<u>Year ended June 30, 2015</u>
Revenues:		
Program revenues:		
Charges for service	\$ 1,152,008	\$ 954,244
Operating grants, contributions and restricted interest	3,254,883	2,738,833
Capital grants, contributions and restricted interest	741,950	2,944,398
General revenues:		
Property tax	5,302,095	5,438,465
Penalty and interest on property tax	64,493	60,777
State tax credits	434,712	509,520
Local option sales tax	806,312	699,037
Unrestricted investment earnings	28,035	31,266
Other general revenues	<u>52,766</u>	<u>67,678</u>
Total revenues	<u>11,837,254</u>	<u>13,444,218</u>

Program expenses:		
Public safety and legal services	3,064,093	2,868,230
Physical health and social services	792,729	784,510
Mental health	657,852	534,463
County environment and education	682,904	695,910
Roads and transportation	5,093,092	4,137,201
Governmental services to residents	477,895	525,669
Administration	1,140,826	1,106,238
Non program	5,040	9,664
Interest on long-term debt	19,303	23,740
Total expenses	<u>11,933,734</u>	<u>10,685,625</u>
Change in net position	(96,480)	2,758,593
Net position beginning of year	<u>19,512,103</u>	<u>16,753,510</u>
Net position end of year	\$ <u>19,415,623</u>	\$ <u>19,512,103</u>

INDIVIDUAL MAJOR FUND ANALYSIS

As Jefferson County, Iowa completed the year, its governmental funds reported a combined fund balance of \$4,390,766, a decrease of \$259,306 compared to last year's total of \$4,649,802. The increase in fund balance is primarily attributable to the general and secondary roads funds. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures were \$5,440,394 and \$5,413,466, respectively. The ending fund balance showed an increase of \$26,928 from the prior year to \$1,864,445.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, revenues totaled \$187,338, a decrease of 44.3% from the prior year. The Mental Health Fund balance at year end decreased by \$470,022 (\$196,892 in prior fiscal year 2015) from the prior year.
- Rural services revenues increased \$141,807 from the prior year. The ending fund balance increased \$162,364 (\$70,174 in prior fiscal year 2015) from the prior year.
- Secondary Roads Fund revenues and expenses increased by \$665,076 and \$885,752, respectively from the prior year. This resulted in an increase in the Secondary Roads Fund ending balance of \$29,540 (\$308,767 in prior fiscal year 2015), or 2.51%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Jefferson County, Iowa amended its budget twice. The amendments resulted in an increase in budgeted disbursements mainly in the roads and transportation function of \$719,025.

The County's receipts were \$28,368 less than budgeted, a variance of .26%.

Total disbursements were \$619,555 less than the amended budget. Actual disbursements for roads and transportation and public safety and legal services were \$176,895 and \$127,598, respectively, less than budgeted.

CAPITAL ASSETS AND LONG TERM LIABILITIES

Capital Assets

At June 30, 2016, Jefferson County, Iowa had \$18,015,656 invested in a broad range of capital assets (net of depreciation), including land, public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of \$264,117, or 1.44% less than last year.

Capital Assets of Governmental Activities at Year End

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Land	\$ 778,473	\$ 778,473
Buildings	4,165,110	4,408,219
Improvements other than buildings	62,037	64,422
Equipment and vehicles	2,161,984	2,026,035
Infrastructure	<u>10,848,052</u>	<u>11,002,624</u>
Total	\$ <u>18,015,656</u>	\$ <u>18,279,773</u>
This year's major additions included:		
Machinery and vehicles	\$ 540,814	\$ 466,230
Infrastructure	<u>782,902</u>	<u>2,944,398</u>
Total	\$ <u>1,323,716</u>	\$ <u>3,410,628</u>

The County had depreciation expense of \$1,500,620 in fiscal year 2016 and total accumulated depreciation of \$12,515,485 at June 30, 2016.

More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Liabilities

At June 30, 2016 and 2015, Jefferson County, Iowa's long-term liabilities consisted of the following:

Outstanding Long-term Liabilities of Governmental Activities at Year-End

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Compensated absences	\$ 192,085	\$ 210,855
Capital loan notes	700,000	935,000
Net pension liability	2,085,095	1,533,161
Net OPEB liability	<u>234,803</u>	<u>209,560</u>
Total	\$ <u>3,211,983</u>	\$ <u>2,888,576</u>

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Jefferson County, Iowa's constitutional debt limit for the 2016 fiscal year is \$36,110,196. Other obligations include compensated absences, net OPEB liability and net pension liability. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Jefferson County, Iowa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates, and the fees that will be charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 3.9% (June 2016) versus 3.5% a year ago. This compares with the State's unemployment rate of 4.0% and the national rate of 4.9%.

Inflation in the State is slightly lower than the national Consumer Price Index increase. The State's CPI increase was 2.238% for fiscal year 2016 compared with the national increase of 2.400%.

These indicators were taken into account when adopting the budget for 2017 fiscal year. Amounts available for appropriation in the operating budget are \$14,282,282, an increase of 20.3% from the final 2016 fiscal year budget. The amount of revenue to support the above expenditures is projected to increase 2.8% from the final 2016 fiscal year budget to \$11,334,532 with the shortfall budgeted from existing reserve funds and a debt issue. Property and other County taxes supporting the 2017 fiscal year budget increased \$658,666 from the Final 2016 fiscal year budget and makes up 58.8% of the revenue for the 2017 fiscal year budgeted expenditures.

If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of the 2017 fiscal year by \$347,750, leaving an overall reserve of approximately 23.7% of budgeted 2017 fiscal year expenditures.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Jefferson County, Iowa's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Jefferson County Auditor's Office, 51 East Briggs Avenue, Fairfield, Iowa.

BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY, IOWASTATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash, cash equivalents and pooled investments	\$ 4,371,249
Receivables:	
Property tax:	
Delinquent	33,855
Succeeding year	6,411,950
Accounts	60,541
Accrued interest	772
Due from other governments	135,502
Inventories	23,090
Prepaid expenses	89,082
Capital assets, net of accumulated depreciation	18,015,656
TOTAL ASSETS	<u>29,141,697</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>	
Pension related deferred outflows	<u>500,476</u>
<u>LIABILITIES:</u>	
Accounts payable	252,517
Due to other governments	36,953
Accrued interest payable	1,140
Long-term liabilities:	
Portion due and payable within one year:	
Capital loan notes	240,000
Compensated absences	192,085
Portion due and payable after one year:	
Capital loan notes	460,000
Net OPEB liability	234,803
Net pension liability	2,085,095
TOTAL LIABILITIES	<u>3,502,593</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
Unavailable property tax revenue	6,411,950
Pension related deferred inflows	312,007
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>6,723,957</u>
<u>NET POSITION:</u>	
Net investment in capital assets	17,315,656
Restricted for:	
Supplemental levy	702,125
Mental health	128,127
Rural services	581,114
Secondary roads	1,207,233
Other purposes	609,847
Unrestricted	(1,128,479)
TOTAL NET POSITION	<u>\$ 19,415,623</u>

JEFFERSON COUNTY, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Charges for Service	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Governmental activities:					
Public safety and legal services	\$ 3,064,093	\$ 244,966	\$ 11,547	\$ -	\$ (2,807,580)
Physical health and social services	792,729	248,807	147,220	-	(396,702)
Mental health	657,852	3,781	-	-	(654,071)
County environment and education	682,904	257,768	34,222	-	(390,914)
Roads and transportation	5,093,092	81,396	3,058,123	741,950	(1,211,623)
Governmental services to residents	477,895	286,035	-	-	(191,860)
Administration	1,140,826	29,255	300	-	(1,111,271)
Non program	5,040	-	-	-	(5,040)
Interest on long-term debt	19,303	-	3,471	-	(15,832)
Total	\$ 11,933,734	\$ 1,152,008	\$ 3,254,883	\$ 741,950	(6,784,893)
General revenues:					
Property and other county tax levied for:					
General purposes					5,066,164
Debt service					235,931
Penalty and interest on property tax					64,493
State tax credits and replacements					434,712
Local option sales tax					806,312
Unrestricted investment earnings					28,035
Miscellaneous					52,766
Total general revenues					6,688,413
Change in net position					(96,480)
Net position - Beginning of year					19,512,103
Net position - End of year					\$ 19,415,623

JEFFERSON COUNTY, IOWA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue					
	<u>General</u>	<u>MH-DD Services</u>	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Nonmajor</u>	<u>Total</u>
<u>ASSETS</u>						
Cash, cash equivalents and pooled investments	\$ 1,819,153	\$ 215,056	\$ 493,055	\$ 1,236,437	\$ 607,548	\$ 4,371,249
Receivables:						
Property tax:						
Delinquent	23,354	3,315	5,807	-	1,379	33,855
Succeeding year	4,423,305	627,870	1,099,716	-	261,059	6,411,950
Accounts	57,418	-	-	31	3,092	60,541
Accrued interest	772	-	-	-	-	772
Due from other governments	15,466	-	96,029	24,007	-	135,502
Inventories	-	-	-	23,090	-	23,090
Prepaid expenses	65,580	193	179	23,130	-	89,082
TOTAL ASSETS	\$ 6,405,048	\$ 846,434	\$ 1,694,786	\$ 1,306,695	\$ 873,078	\$ 11,126,041
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>						
<u>LIABILITIES:</u>						
Accounts payable	\$ 88,136	\$ 61,073	\$ 3,093	\$ 99,422	\$ 793	\$ 252,517
Due to other governments	5,808	26,049	5,056	40	-	36,953
TOTAL LIABILITIES	93,944	87,122	8,149	99,462	793	289,470
<u>DEFERRED INFLOWS OF RESOURCES:</u>						
Unavailable revenues:						
Succeeding year property tax	4,423,305	627,870	1,099,716	-	261,059	6,411,950
Other	23,354	3,315	5,807	-	1,379	33,855
TOTAL DEFERRED INFLOWS OF RESOURCES	4,446,659	631,185	1,105,523	-	262,438	6,445,805
<u>FUND BALANCES:</u>						
Nonspendable:						
Inventories	-	-	-	23,090	-	23,090
Prepaid expenses	65,580	193	179	23,130	-	89,082
Restricted for:						
Supplemental levy	636,545	-	-	-	-	636,545
Mental health	-	127,934	-	-	-	127,934
Rural services	-	-	580,935	-	-	580,935
Secondary roads	-	-	-	1,161,013	-	1,161,013
Other purposes	-	-	-	-	609,847	609,847
Unassigned	1,162,320	-	-	-	-	1,162,320
Total fund balances	1,864,445	128,127	581,114	1,207,233	609,847	4,390,766
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,405,048	\$ 846,434	\$ 1,694,786	\$ 1,306,695	\$ 873,078	\$ 11,126,041

JEFFERSON COUNTY, IOWA

RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total governmental fund balances	\$	4,390,766
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$30,531,141 and the accumulated depreciation is \$12,515,485.		18,015,656
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Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of revenues in the governmental funds.		33,855
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(1,140)
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Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental fund, as follows:

Deferred outflows of resources	\$	500,476	
Deferred inflows of resources		(312,007)	188,469

Long-term liabilities, including capital loan notes payable, compensated absences payable, net pension liability, and net OPEB liability are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.		(3,211,983)
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Net position of governmental activities	\$	19,415,623
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JEFFERSON COUNTY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	<u>Special Revenue</u>					
	<u>General</u>	<u>MH-DD Services</u>	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Nonmajor</u>	<u>Total</u>
REVENUES:						
Property and other county tax	\$ 3,953,206	\$ 168,654	\$ 952,208	\$ -	\$ 235,844	\$ 5,309,912
Local option sales tax	-	-	645,049	161,263	-	806,312
Interest and penalty on property tax	64,493	-	-	-	-	64,493
Intergovernmental	822,675	14,903	191,451	3,058,123	43,743	4,130,895
Licenses and permits	3,021	-	19,050	5,549	-	27,620
Charges for service	470,651	3,781	-	58,317	49,103	581,852
Use of money and property	64,625	-	-	-	8,465	73,090
Miscellaneous	61,723	-	4,670	17,530	12,361	96,284
Total revenues	<u>5,440,394</u>	<u>187,338</u>	<u>1,812,428</u>	<u>3,300,782</u>	<u>349,516</u>	<u>11,090,458</u>
EXPENDITURES:						
Operating:						
Public safety and legal services	2,712,458	-	174,487	-	2,308	2,889,253
Physical health and social services	707,713	-	95,464	-	-	803,177
Mental health	-	657,360	-	-	-	657,360
County environment and education	406,189	-	223,433	-	32,922	662,544
Roads and transportation	-	-	-	4,158,094	-	4,158,094
Governmental services to residents	470,270	-	2,571	-	-	472,841
Administration	1,111,796	-	2,776	-	-	1,114,572
Non program	5,040	-	-	-	-	5,040
Debt service	-	-	-	-	254,700	254,700
Capital projects	-	-	-	264,481	67,432	331,913
Total expenditures	<u>5,413,466</u>	<u>657,360</u>	<u>498,731</u>	<u>4,422,575</u>	<u>357,362</u>	<u>11,349,494</u>
Excess (deficiency) of revenues over (under) expenditures	<u>26,928</u>	<u>(470,022)</u>	<u>1,313,697</u>	<u>(1,121,793)</u>	<u>(7,846)</u>	<u>(259,036)</u>
Other financial sources (uses):						
Operating transfers in	-	-	-	1,151,333	-	1,151,333
Operating transfers out	-	-	(1,151,333)	-	-	(1,151,333)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,151,333)</u>	<u>1,151,333</u>	<u>-</u>	<u>-</u>
Change in fund balances	26,928	(470,022)	162,364	29,540	(7,846)	(259,036)
Fund balances - Beginning of year	<u>1,837,517</u>	<u>598,149</u>	<u>418,750</u>	<u>1,177,693</u>	<u>617,693</u>	<u>4,649,802</u>
Fund balances - End of year	<u>\$ 1,864,445</u>	<u>\$ 128,127</u>	<u>\$ 581,114</u>	<u>\$ 1,207,233</u>	<u>\$ 609,847</u>	<u>\$ 4,390,766</u>

JEFFERSON COUNTY, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Change in fund balances - Total governmental funds \$ (259,036)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year as follows:

Capital assets contributed by the Iowa Department of Transportation	\$ 741,950	
Expenditures for capital assets	581,766	
Depreciation expense	<u>(1,500,620)</u>	(176,904)

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (87,213)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:

Property tax	4,846
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Debt repayments in the current year are as follows:

Repaid	235,000
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The current year County employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 397,057

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	18,770	
Interest on long-term debt	397	
Pension expense	(204,154)	
Other postemployment benefits	<u>(25,243)</u>	<u>(210,230)</u>

Change in net position of governmental activities \$ (96,480)

JEFFERSON COUNTY, IOWA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2016

ASSETS

Cash, cash equivalents and pooled investments:		
County Treasurer	\$	1,353,833
Other County officials		48,413
Accounts receivable		50,270
Property tax receivable:		
Delinquent		107,658
Succeeding year		20,388,322
Prepaid expenses		581
	TOTAL ASSETS	<u>21,949,077</u>

LIABILITIES

Accounts payable		40,174
Due to other governments		21,860,775
Compensated absences		2,978
Trusts payable		45,150
	TOTAL LIABILITIES	<u>21,949,077</u>
	NET POSITION	\$ <u>-</u>

JEFFERSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Jefferson County, Iowa is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Jefferson County, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Jefferson County, Iowa (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One drainage district has been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although this district is legally separate from the County, it is controlled, managed and supervised by the Jefferson County Board of Supervisors. The drainage district is reported as a Special Revenue Fund. Financial information of the drainage district can be obtained from the Jefferson County Auditor's office.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Jefferson County Assessor's Conference Board, Jefferson County Emergency Management Commission and Jefferson County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

JEFFERSON COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets – consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position – results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position – consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The MH-DD Services Fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the state of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

JEFFERSON COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Additionally, the County reports the following funds:

Fiduciary Funds:

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

JEFFERSON COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2015.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, furniture and intangibles, are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 65,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

JEFFERSON COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	25-50
Improvements other than buildings	20-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future year(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the County after the measurement date but before the end of the County's reporting period.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Secondary Roads Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments including refunds of employee contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

JEFFERSON COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future year(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on IPERS' investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2: CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

JEFFERSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 2: CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS (Continued)

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

NOTE 3: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ <u>1,151,333</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases/ Transfers</u>	<u>Decreases/ Transfers</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ <u>778,473</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>778,473</u>
Total capital assets not being depreciated	<u>778,473</u>	<u>-</u>	<u>-</u>	<u>778,473</u>
Capital assets being depreciated:				
Buildings	7,574,547	-	-	7,574,547
Improvements other than buildings	100,381	-	-	100,381
Equipment and vehicles	6,272,536	540,814	755,653	6,057,697
Infrastructure, road network	<u>15,237,141</u>	<u>782,902</u>	<u>-</u>	<u>16,020,043</u>
Total capital assets being depreciated	<u>29,184,605</u>	<u>1,323,716</u>	<u>755,653</u>	<u>29,752,668</u>
Less accumulated depreciation for:				
Buildings	3,166,328	243,109	-	3,409,437
Improvements other than buildings	35,959	2,385	-	38,344
Equipment and vehicles	4,246,501	317,652	668,440	3,895,713
Infrastructure, road network	<u>4,234,517</u>	<u>937,474</u>	<u>-</u>	<u>5,171,991</u>
Total accumulated depreciation	<u>11,683,305</u>	<u>1,500,620</u>	<u>668,440</u>	<u>12,515,485</u>
Total capital assets being depreciated, net	<u>17,501,300</u>	<u>(176,904)</u>	<u>87,213</u>	<u>17,237,183</u>
Governmental activities capital assets, net	\$ <u>18,279,773</u>	\$ <u>(176,904)</u>	\$ <u>87,213</u>	\$ <u>18,015,656</u>

JEFFERSON COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 4: CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following functions:

Governmental Activities:		
Public safety and legal services	\$	256,477
Physical health and social services		16,607
Mental health		4,413
County environment and education		38,027
Roads and transportation		1,122,759
Governmental services to residents		28,412
Administration		<u>33,925</u>
Total depreciation expense - Governmental activities	\$	<u>1,500,620</u>

NOTE 5: DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2016 is as follows:

<u>Fund</u>	<u>Description</u>		
Governmental Funds:			
General	Services	\$	5,808
Special Revenue:			
MH-DD Services	Services		26,049
Rural services			5,056
Secondary Roads			<u>40</u>
Total For Governmental Funds		\$	<u>36,953</u>
Agency:			
County Recorder	Collections	\$	20,623
County Assessor			1,125,799
Schools			11,440,461
Area Schools			789,025
Corporations			6,328,719
Townships			294,441
Agriculture Extension Education			242,617
County Hospital			1,091,842
E-911			100,724
Auto License and Use Tax			334,368
All Other			<u>92,156</u>
Total For Agency Funds		\$	<u>21,860,775</u>

JEFFERSON COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6: LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	<u>Capital Loan</u> <u>Notes</u>	<u>Compensated</u> <u>Absences</u>	<u>Net OPEB</u> <u>Liability</u>	<u>Net Pension</u> <u>Liability</u>	<u>Total</u>
Balance – Beginning of year	\$ 935,000	\$ 210,855	\$ 209,560	\$ 1,533,161	\$ 2,888,576
Increases	-	192,085	25,243	551,934	769,262
Decreases	<u>(235,000)</u>	<u>(210,855)</u>	<u>-</u>	<u>-</u>	<u>(455,855)</u>
Balance – End of year	\$ <u>700,000</u>	\$ <u>192,085</u>	\$ <u>234,803</u>	\$ <u>2,085,095</u>	\$ <u>3,211,983</u>
Due within one year	\$ <u>240,000</u>	\$ <u>192,085</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>432,085</u>

Capital Loan Notes

Details of the County's general obligation capital loan note indebtedness are as follows:

<u>Issued May 15, 2010</u>						
<u>Year Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u>	<u>Interest</u>			
2017	3.00%	\$ 155,000	\$ 4,650			
Total		\$ 155,000	\$ 4,650			

<u>Issued June 20, 2012</u>						
<u>Year Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	1.30%	\$ 85,000	\$ 1,105	\$ 240,000	\$ 5,755	\$ 245,755
2018	1.30	90,000	1,170	90,000	1,170	91,170
2019	1.75	90,000	1,575	90,000	1,575	91,575
2020	1.75	90,000	1,575	90,000	1,575	91,575
2021	2.00	95,000	1,900	95,000	1,900	96,900
2022-2024	2.00	95,000	1,900	95,000	1,900	96,900
Total		\$ 545,000	\$ 9,225	\$ 700,000	\$ 13,875	\$ 713,875

During the year ended June 30, 2016, the County retired \$235,000 of capital loan notes.

Capital Lease Purchase Agreements

The County has entered into a capital lease purchase agreement to lease E911 radio equipment with a historical cost of \$210,120. The County is not liable for this obligation and it is not recorded in the statement of net position.

NOTE 7: LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

Jefferson County, Iowa is a member of a multi-government 28E agreement established in 1974. This agreement provides the public authority for the Southeast Multi-County Solid Waste Agency (SEMCO) to operate under a separate Board of Directors and provide municipal solid waste landfill services. SEMCO, therefore, is required by state and federal laws and regulations to make annual contributions to finance closure and postclosure care costs. Any additional costs that might arise from changes in regulations or technology are anticipated to be covered by increases in rates paid by future landfill users. In the event that future expenses were to exceed SEMCO reserves, the member Counties would be liable for any shortfalls.

JEFFERSON COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 8: PENSION PLAN

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary, except members with service before June 30, 2012, will use the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Sheriff, deputies and protection occupation members may retire at normal retirement age which is generally at age 55. Sheriff, deputies and protection occupation members may retire anytime after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff's and deputies and protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

JEFFERSON COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 8: PENSION PLAN (Continued)

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95 percent of covered payroll and the County contributed 8.93 percent of covered payroll for a total rate of 14.88 percent. Sheriff, deputies members and the County each contributed 9.88 percent of covered payroll for a total rate of 19.76 percent. Protection occupation members contributed 6.56 percent of covered payroll and the County contributed 9.84 percent for a total rate of 16.40 percent.

The County's contributions to IPERS for the year ended June 30, 2016 were \$397,057.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the County reported a liability of \$2,085,095 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the County's collective proportion was .0422043 percent, which was an increase of .003546 from its collective proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$204,154. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 31,890	\$ 33,097
Changes of assumptions	58,113	18,492
Net difference between projected and actual earnings on IPERS' investments	-	260,418
Changes in proportion and differences between contributions and the County's proportionate share of contributions	13,416	-
County contributions subsequent to the measurement date	<u>397,057</u>	<u>-</u>
Total	\$ <u>500,476</u>	\$ <u>312,007</u>

JEFFERSON COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8: PENSION PLAN (Continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$397,057 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,		
2017	\$	(111,906)
2018		(111,906)
2019		(111,906)
2020		126,401
2021		729
	\$	<u>(208,588)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00% per annum.
Rate of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28 %	2.04 %
Domestic equity	24	6.29
International equity	16	6.75
Private equity / debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	<u>100</u> %	

JEFFERSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 8: PENSION PLAN (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
County's proportionate share of the net pension liability:	\$ 4,419,990	\$ 2,085,095	\$ 116,558

IPERS' Fiduciary Net Position – Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the IPERS – At June 30, 2016, the County reported payables to the defined benefit pension plan of \$34,447 for legally required employer contributions and \$24,643 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description. The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 90 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully insured medical plan administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

JEFFERSON COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation. (Continued)

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2016, the amounts actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$	102,443
Interest on net OPEB obligation		8,382
Adjustment to annual required contribution		<u>(8,328)</u>
Annual OPEB cost		102,497
Contributions made		<u>(77,254)</u>
Increase in net OPEB obligation		25,243
Net OPEB obligation beginning of year		<u>209,560</u>
Net OPEB obligation end of year	\$	<u>234,803</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

For the year ended June 30, 2016, the County contributed \$77,254 to the medical plan. Plan members eligible for benefits contributed \$53,462, or 69.2% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2014	\$ <u>84,746</u>	42.6%	\$ <u>160,006</u>
2015	\$ <u>85,654</u>	42.2%	\$ <u>209,560</u>
2016	\$ <u>102,497</u>	75.4%	\$ <u>234,803</u>

Funded/Status and Funding Progress. As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$729,268, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$729,268. The covered payroll (annual payroll of active employees covered by the plan) was \$4,028,946 and the ratio of the UAAL to covered payroll was 18.10%. As of June 30, 2016, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

JEFFERSON COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Methods and Assumptions. (Continued)

As of July 1, 2015 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions includes a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 3% is assumed for the purpose of this computation.

Mortality rates are from the SOA RPH-2015 Total Dataset Mortality Table using Scale MP-2015, applied on a gender-specific basis. Annual retirement and termination probabilities were developed using the alternate valuation method as prescribed in GASB 45.

Projected claim costs of the medical plan are \$453 per month for retirees and \$1,069 per month for retirees and their spouses. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 10: RISK MANAGEMENT

Jefferson County, Iowa is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300 percent of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2016 were \$180,900.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

JEFFERSON COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 10: RISK MANAGEMENT (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2016, no liability has been recorded in the County's financial statements. As of June 30, 2016, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amounts of \$1,000,000 and \$300,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11: JEFFERSON COUNTY, IOWA FINANCIAL INFORMATION INCLUDED IN THE MENTAL HEALTH REGION

Southeast Iowa Link, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective February 10, 2014, includes the following member counties: Keokuk, Washington, Louisa, Henry, Des Moines, Van Buren, Lee and Jefferson County, Iowa. The financial activity of Jefferson County, Iowa's Special Revenue, Mental Health Fund is included in the Southeast Iowa Link Region for the year ended June 30, 2016 as follows:

Revenues:		
Property and other county tax	\$	168,654
Intergovernmental revenues:		
State tax credits		14,903
Charges for service		<u>3,781</u>
Total revenues		187,338
Expenditures:		
Services to persons with:		
Mental illness		581,991
General administration:		
Direct administration		<u>75,369</u>
Total expenditures		657,360
Deficiency of revenues under expenditures		(470,022)
Fund balance beginning of the year		<u>598,149</u>
Fund balance end of the year	\$	<u>128,127</u>

JEFFERSON COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12: NEW ACCOUNTING PRONOUNCEMENT

The County adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

NOTE 13: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2015 have been reclassified to conform with the June 30, 2016 presentation.

NOTE 14: SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 8, 2017, the date that the financial statements were available to be issued.

On August 1, 2016, the County issued \$2,615,000 of general obligation bonds series 2016A to fund building repairs and road construction.

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016

	<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
		<u>Original</u>	<u>Final</u>	
<u>RECEIPTS:</u>				
Property and other county tax	\$ 6,059,582	\$ 5,942,111	\$ 6,006,852	\$ 52,730
Interest and penalty on property tax	64,493	68,300	68,300	(3,807)
Intergovernmental	4,136,219	3,715,780	4,239,150	(102,931)
Licenses and permits	28,345	28,000	28,800	(455)
Charges for service	574,660	469,218	536,638	38,022
Use of money and property	74,056	76,594	76,594	(2,538)
Miscellaneous	62,329	58,581	71,718	(9,389)
Total receipts	<u>10,999,684</u>	<u>10,358,584</u>	<u>11,028,052</u>	<u>(28,368)</u>
<u>DISBURSEMENTS:</u>				
Public safety and legal services	2,873,710	2,988,592	3,001,308	127,598
Physical health and social services	816,368	924,680	937,804	121,436
Mental health	620,756	607,300	665,000	44,244
County environment and education	655,600	676,379	676,379	20,779
Roads and transportation	4,131,390	3,717,800	4,308,285	176,895
Governmental services to residents	473,110	516,531	516,531	43,421
Administration	1,091,855	1,093,468	1,138,468	46,613
Non-program current	3,558	10,000	10,000	6,442
Debt service	254,700	254,700	254,700	-
Capital projects	330,373	362,500	362,500	32,127
Total disbursements	<u>11,251,420</u>	<u>11,151,950</u>	<u>11,870,975</u>	<u>619,555</u>
Excess (deficiency) of receipts over (under) disbursements	(251,736)	(793,366)	(842,923)	591,187
<u>BALANCE - Beginning of year</u>	<u>4,622,957</u>	<u>3,688,582</u>	<u>3,688,582</u>	<u>934,375</u>
<u>BALANCE - End of year</u>	<u>\$ 4,371,221</u>	<u>\$ 2,895,216</u>	<u>\$ 2,845,659</u>	<u>\$ 1,525,562</u>

JEFFERSON COUNTY, IOWA

BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016

	<u>Governmental Fund Types</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 10,999,684	\$ 90,774	\$ 11,090,458
Expenditures	<u>11,251,420</u>	<u>(98,074)</u>	<u>11,349,494</u>
Net	(251,736)	(7,300)	(259,036)
Beginning fund balances	<u>4,622,957</u>	<u>26,845</u>	<u>4,649,802</u>
Ending fund balances	\$ <u>4,371,221</u>	\$ <u>19,545</u>	\$ <u>4,390,766</u>

JEFFERSON COUNTY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2016

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, nonprogram, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$719,025. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

JEFFERSON COUNTY, IOWA

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TWO FISCAL YEARS*

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability	0.0422043 %	0.0386585 %
County's proportionate share of the net pension liability	\$ 2,085,095	\$ 1,533,161
County's covered-employee payroll	\$ 4,140,289	\$ 4,040,331
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	50.36 %	37.95 %
Plan fiduciary net position as a percentage of the total pension liability	85.19 %	87.61 %

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceeding fiscal year.

Note: GASB Statement No. 68 requires ten years of information to be present in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

JEFFERSON COUNTY, IOWA

SCHEDULE OF COUNTY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 3 FISCAL YEARS

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 397,057	\$ 383,051	\$ 374,034
Contributions in relation to the statutorily required contribution	<u>(397,057)</u>	<u>(383,051)</u>	<u>(374,034)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
County's covered-employee payroll	\$ 4,306,120	\$ 4,140,289	\$ 4,040,331
Contributions as a percentage of covered-employee payroll	9.22 %	9.25 %	9.26 %

Note: GASB Statement No. 68 requires ten years of information to be present in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

JEFFERSON COUNTY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

YEAR ENDED JUNE 30, 2016

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

JEFFERSON COUNTY, IOWA

SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

<u>Year</u> <u>Ended</u> <u>June 30,</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b - a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentge</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
2010	July 1, 2009	\$ <u>-</u>	\$ <u>497,682</u>	\$ <u>497,382</u>	<u>0.00%</u>	\$ <u>3,571,512</u>	<u>13.92%</u>
2011	July 1, 2009	\$ <u>-</u>	\$ <u>497,382</u>	\$ <u>497,382</u>	<u>0.00%</u>	\$ <u>3,796,032</u>	<u>13.10%</u>
2012	July 1, 2009	\$ <u>-</u>	\$ <u>497,382</u>	\$ <u>497,382</u>	<u>0.00%</u>	\$ <u>3,487,785</u>	<u>14.26%</u>
2013	July 1, 2012	\$ <u>-</u>	\$ <u>580,219</u>	\$ <u>580,219</u>	<u>0.00%</u>	\$ <u>3,541,944</u>	<u>16.38%</u>
2014	July 1, 2012	\$ <u>-</u>	\$ <u>580,219</u>	\$ <u>580,219</u>	<u>0.00%</u>	\$ <u>4,002,216</u>	<u>14.50%</u>
2015	July 1, 2012	\$ <u>-</u>	\$ <u>580,219</u>	\$ <u>580,219</u>	<u>0.00%</u>	\$ <u>3,934,402</u>	<u>14.74%</u>
2016	July 1, 2015	\$ <u>-</u>	\$ <u>729,268</u>	\$ <u>729,268</u>	<u>0.00%</u>	\$ <u>4,028,946</u>	<u>18.10%</u>

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY, IOWA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

	Nonmajor Governmental Funds			
	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Debt Service Fund	Total
<u>ASSETS</u>				
Cash, cash equivalents and pooled investments	\$ 247,649	\$ 346,706	\$ 13,193	\$ 607,548
Receivables:				
Property tax:				
Delinquent	-	-	1,379	1,379
Succeeding year	-	-	261,059	261,059
Accounts	<u>2,655</u>	<u>437</u>	<u>-</u>	<u>3,092</u>
TOTAL ASSETS	\$ <u>250,304</u>	\$ <u>347,143</u>	\$ <u>275,631</u>	\$ <u>873,078</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
None	\$ <u>793</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>793</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>				
Unavailable revenues:				
Succeeding year property tax	-	-	261,059	261,059
Other	<u>-</u>	<u>-</u>	<u>1,379</u>	<u>1,379</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>262,438</u>	<u>262,438</u>
<u>FUND BALANCES:</u>				
Restricted for:				
Other purposes	<u>249,511</u>	<u>347,143</u>	<u>13,193</u>	<u>609,847</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u>250,304</u>	\$ <u>347,143</u>	\$ <u>275,631</u>	\$ <u>873,078</u>

JEFFERSON COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Nonmajor Governmental Funds			
	Special Revenue Funds	Capital Projects Funds	Debt Service Fund	Total
REVENUES:				
Property and other County tax	\$ -	\$ -	\$ 235,844	\$ 235,844
Intergovernmental	22,869	-	20,874	43,743
Charges for service	49,103	-	-	49,103
Use of money and property	4,024	4,441	-	8,465
Miscellaneous	8,890	-	3,471	12,361
Total revenues	<u>84,886</u>	<u>4,441</u>	<u>260,189</u>	<u>349,516</u>
EXPENDITURES:				
Operating:				
Public safety and legal services	2,308	-	-	2,308
County environment and education	32,922	-	-	32,922
Debt service	-	-	254,700	254,700
Capital projects	31,179	36,253	-	67,432
Total expenditures	<u>66,409</u>	<u>36,253</u>	<u>254,700</u>	<u>357,362</u>
Change in fund balances	18,477	(31,812)	5,489	(7,846)
Fund balances - Beginning of year	<u>231,034</u>	<u>378,955</u>	<u>7,704</u>	<u>617,693</u>
Fund balances - End of year	\$ <u>249,511</u>	\$ <u>347,143</u>	\$ <u>13,193</u>	\$ <u>609,847</u>

JEFFERSON COUNTY, IOWA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	Resource Enhancement and Protection	Drug Forfeiture	Special Response Team	Drug Control Policy
<u>ASSETS</u>				
Cash, cash equivalents and pooled investments	\$ 80,279	\$ 5,298	\$ 993	\$ 2,030
Receivables:				
Accounts	-	-	-	-
TOTAL ASSETS	\$ <u>80,279</u>	\$ <u>5,298</u>	\$ <u>993</u>	\$ <u>2,030</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
<u>FUND BALANCES:</u>				
Restricted for:				
Other purposes	<u>80,279</u>	<u>5,298</u>	<u>993</u>	<u>2,030</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>80,279</u>	\$ <u>5,298</u>	\$ <u>993</u>	\$ <u>2,030</u>

<u>County Recorder's Records Management</u>	<u>Rocky Branch Watershed</u>	<u>Conservation Fund</u>	<u>Sheriff's Reserve</u>	<u>Total</u>
\$ 42,578	\$ 14,213	\$ 92,863	\$ 9,395	\$ 247,649
300	-	2,355	-	2,655
\$ <u>42,878</u>	\$ <u>14,213</u>	\$ <u>95,218</u>	\$ <u>9,395</u>	\$ <u>250,304</u>
\$ -	\$ -	\$ -	\$ 793	\$ 793
<u>42,878</u>	<u>14,213</u>	<u>95,218</u>	<u>8,602</u>	<u>249,511</u>
\$ <u>42,878</u>	\$ <u>14,213</u>	\$ <u>95,218</u>	\$ <u>9,395</u>	\$ <u>250,304</u>

JEFFERSON COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2016

	<u>Resource Enhancement and Protection</u>	<u>Drug Forfeiture</u>	<u>Special Response Team</u>	<u>Drug Control Policy</u>
<u>REVENUES:</u>				
Intergovernmental	\$ 14,904	\$ -	\$ -	\$ -
Charges for service	-	-	-	-
Use of money and property	-	-	-	-
Miscellaneous	-	-	100	-
Total revenues	<u>14,904</u>	<u>-</u>	<u>100</u>	<u>-</u>
<u>EXPENDITURES:</u>				
Operating:				
Public safety and legal services	-	-	810	-
County environment and education	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>810</u>	<u>-</u>
 Change in fund balances	 14,904	 -	 (710)	 -
Fund balances - Beginning of year	<u>65,375</u>	<u>5,298</u>	<u>1,703</u>	<u>2,030</u>
Fund balances - End of year	\$ <u>80,279</u>	\$ <u>5,298</u>	\$ <u>993</u>	\$ <u>2,030</u>

<u>County Recorder's Records Management</u>	<u>County Rocky Branch Watershed</u>	<u>Conservation Fund</u>	<u>Sherrif's Reserve</u>	<u>Total</u>
\$ -	\$ -	\$ 7,965	\$ -	\$ 22,869
3,381	-	45,332	390	49,103
-	-	4,024	-	4,024
-	-	2,230	6,560	8,890
<u>3,381</u>	<u>-</u>	<u>59,551</u>	<u>6,950</u>	<u>84,886</u>
-	-	-	1,498	2,308
-	-	32,922	-	32,922
-	-	31,179	-	31,179
<u>-</u>	<u>-</u>	<u>64,101</u>	<u>1,498</u>	<u>66,409</u>
3,381	-	(4,550)	5,452	18,477
<u>39,497</u>	<u>14,213</u>	<u>99,768</u>	<u>3,150</u>	<u>231,034</u>
\$ <u>42,878</u>	\$ <u>14,213</u>	\$ <u>95,218</u>	\$ <u>8,602</u>	\$ <u>249,511</u>

JEFFERSON COUNTY, IOWA

COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2016

	<u>Steeple Restoration</u>	<u>Law Center</u>	<u>Total</u>
<u>ASSETS</u>			
Cash, cash equivalents and pooled investments	\$ 5,234	\$ 341,472	\$ 346,706
Receivables:			
Accounts	<u>-</u>	<u>437</u>	<u>437</u>
 TOTAL ASSETS	 \$ <u>5,234</u>	 \$ <u>341,909</u>	 \$ <u>347,143</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
None	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
<u>FUND BALANCES:</u>			
Restricted for:			
Capital projects	<u>5,234</u>	<u>341,909</u>	<u>347,143</u>
 TOTAL LIABILITIES AND FUND BALANCES	 \$ <u>5,234</u>	 \$ <u>341,909</u>	 \$ <u>347,143</u>

JEFFERSON COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2016

	<u>Steeple Restoration</u>	<u>Law Center</u>	<u>Total</u>
<u>REVENUES:</u>			
Use of money and property	\$ -	\$ 4,441	\$ 4,441
Total revenues	<u>-</u>	<u>4,441</u>	<u>4,441</u>
<u>EXPENDITURES:</u>			
Capital projects	-	36,253	36,253
Total expenditures	<u>-</u>	<u>36,253</u>	<u>36,253</u>
 Change in fund balances	 -	 (31,812)	 (31,812)
Fund balances - Beginning of year	<u>5,234</u>	<u>373,721</u>	<u>378,955</u>
Fund balances - End of year	\$ <u>5,234</u>	\$ <u>341,909</u>	\$ <u>347,143</u>

JEFFERSON COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2016

	<u>County Offices</u>			<u>Joint Emergency Management Services</u>	<u>Advance Tax Payments</u>
	<u>County Recorder</u>	<u>County Sheriff</u>	<u>E-911</u>		
<u>ASSETS</u>					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	\$ -	\$ 122,215	\$ 41,337	\$ 16,093
Other County officials	20,623	27,790	-	-	-
Receivables:					
Accounts receivable	-	-	14,925	35,345	-
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Prepaid expenses	-	-	-	241	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>20,623</u>	\$ <u>27,790</u>	\$ <u>137,140</u>	\$ <u>76,923</u>	\$ <u>16,093</u>
<u>LIABILITIES</u>					
Accounts payable	\$ -	\$ -	\$ 36,416	\$ 78	\$ -
Due to other governments	20,623	-	100,724	76,845	-
Compensated absences	-	-	-	-	-
Trusts payable	-	27,790	-	-	16,093
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	\$ <u>20,623</u>	\$ <u>27,790</u>	\$ <u>137,140</u>	\$ <u>76,923</u>	\$ <u>16,093</u>

<u>Brucellosis and Tuberculosis Eradication</u>	<u>Townships</u>	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>County Assessor</u>
\$ 28	\$ 2,820	\$ 66,491	\$ 116,405	\$ 8,028	\$ 617,481
-	-	-	-	-	-
-	-	-	-	-	-
14	1,532	32,893	59,482	4,102	2,703
2,711	290,089	6,229,335	11,264,574	776,895	511,933
-	-	-	-	-	340
<u>\$ 2,753</u>	<u>\$ 294,441</u>	<u>\$ 6,328,719</u>	<u>\$ 11,440,461</u>	<u>\$ 789,025</u>	<u>\$ 1,132,457</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,680
2,753	294,441	6,328,719	11,440,461	789,025	1,125,799
-	-	-	-	-	2,978
-	-	-	-	-	-
<u>\$ 2,753</u>	<u>\$ 294,441</u>	<u>\$ 6,328,719</u>	<u>\$ 11,440,461</u>	<u>\$ 789,025</u>	<u>\$ 1,132,457</u>

JEFFERSON COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2015

	<u>Agriculture Extension Education</u>	<u>County Hospital</u>	<u>Auto License and Use Tax</u>	<u>City Special Assessments</u>
<u>ASSETS</u>				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ 2,532	\$ 12,210	\$ 334,368	\$ 5,695
Other County officials	-	-	-	-
Receivables:				
Accounts receivable	-	-	-	-
Property tax:				
Delinquent	1,261	5,671	-	-
Succeeding year	238,824	1,073,961	-	-
Prepaid expenses	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>242,617</u>	\$ <u>1,091,842</u>	\$ <u>334,368</u>	\$ <u>5,695</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other governments	242,617	1,091,842	334,368	5,695
Compensated absences	-	-	-	-
Trusts payable	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	\$ <u>242,617</u>	\$ <u>1,091,842</u>	\$ <u>334,368</u>	\$ <u>5,695</u>

<u>Bankruptcy</u>	<u>Anatomical Gift Public Awareness and Transportation</u>	<u>Tax Sale Redemption</u>	<u>Recorder's Electronic Transaction Fees</u>	<u>Total</u>
\$ 1,042	\$ 6,688	\$ 225	\$ 175	\$ 1,353,833
-	-	-	-	48,413
-	-	-	-	50,270
-	-	-	-	107,658
-	-	-	-	20,388,322
-	-	-	-	581
<u>\$ 1,042</u>	<u>\$ 6,688</u>	<u>\$ 225</u>	<u>\$ 175</u>	<u>\$ 21,949,077</u>
\$ -	\$ -	\$ -	\$ -	\$ 40,174
-	6,688	-	175	21,860,775
-	-	-	-	2,978
<u>1,042</u>	<u>-</u>	<u>225</u>	<u>-</u>	<u>45,150</u>
<u>\$ 1,042</u>	<u>\$ 6,688</u>	<u>\$ 225</u>	<u>\$ 175</u>	<u>\$ 21,949,077</u>

JEFFERSON COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2016

<u>ASSETS AND LIABILITIES</u>	<u>County Offices</u>			<u>E-911</u>
	<u>County Auditor</u>	<u>County Recorder</u>	<u>County Sheriff</u>	
Balances beginning of year	\$ -	\$ 19,714	\$ 31,390	\$ 102,641
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	20,286
E911 surcharge	-	-	-	116,995
Office fees and collections	1,628	260,684	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	722,375	-
Miscellaneous	-	-	-	24,828
Total additions	<u>1,628</u>	<u>260,684</u>	<u>722,375</u>	<u>162,109</u>
Deductions:				
Agency remittances:				
To other funds	1,628	158,752	-	-
To other governments	-	101,023	-	127,610
Trusts paid out	-	-	725,975	-
Total deductions	<u>1,628</u>	<u>259,775</u>	<u>725,975</u>	<u>127,610</u>
Balances end of year	\$ -	\$ 20,623	\$ 27,790	\$ 137,140

<u>Joint Emergency Management Services</u>	<u>Advance Tax Payments</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Townships</u>	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>County Assessor</u>
\$ <u>35,552</u>	\$ <u>16,882</u>	\$ <u>2,542</u>	\$ <u>276,803</u>	\$ <u>5,958,042</u>	\$ <u>10,422,897</u>	\$ <u>717,560</u>	\$ <u>991,246</u>
42,795	25,409	2,476	267,537	5,352,443	10,288,650	709,844	470,544
-	-	197	13,072	665,283	822,488	56,312	34,918
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
53,131	-	-	-	-	-	-	-
<u>95,926</u>	<u>25,409</u>	<u>2,673</u>	<u>280,609</u>	<u>6,017,726</u>	<u>11,111,138</u>	<u>766,156</u>	<u>505,462</u>
-	-	-	-	-	-	-	-
54,555	26,198	2,462	262,971	5,647,049	10,093,574	694,691	364,251
-	-	-	-	-	-	-	-
<u>54,555</u>	<u>26,198</u>	<u>2,462</u>	<u>262,971</u>	<u>5,647,049</u>	<u>10,093,574</u>	<u>694,691</u>	<u>364,251</u>
\$ <u>76,923</u>	\$ <u>16,093</u>	\$ <u>2,753</u>	\$ <u>294,441</u>	\$ <u>6,328,719</u>	\$ <u>11,440,461</u>	\$ <u>789,025</u>	\$ <u>1,132,457</u>

JEFFERSON COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2015

<u>ASSETS AND LIABILITIES</u>	<u>Agricultural Extension Education</u>	<u>County Hospital</u>	<u>Auto Licenses and Use Tax</u>	<u>City Special Assessments</u>	<u>Bankruptcy</u>
Balances beginning of year	\$ <u>227,706</u>	\$ <u>1,098,362</u>	\$ <u>353,396</u>	\$ <u>2,589</u>	\$ <u>1,042</u>
Additions:					
Property and other County tax	217,500	970,731	-	-	-
State tax credits	17,885	86,243	-	-	-
E911 surcharge	-	-	-	-	-
Office fees and collections	-	-	-	-	-
Auto licenses, use tax and postage	-	-	4,142,168	-	-
Assessments	-	-	-	49,418	-
Trusts	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	<u>235,385</u>	<u>1,056,974</u>	<u>4,142,168</u>	<u>49,418</u>	<u>-</u>
Deductions:					
Agency remittances:					
To other funds	-	-	-	-	-
To other governments	220,474	1,063,494	4,161,196	46,312	-
Trusts paid out	-	-	-	-	-
Total deductions	<u>220,474</u>	<u>1,063,494</u>	<u>4,161,196</u>	<u>46,312</u>	<u>-</u>
Balances end of year	\$ <u>242,617</u>	\$ <u>1,091,842</u>	\$ <u>334,368</u>	\$ <u>5,695</u>	\$ <u>1,042</u>

<u>Anatomical Gift Public Awareness and Transportation</u>	<u>Tax Sale Redemption</u>	<u>Recorder's Electronic Transaction Fees</u>	<u>Monies and Credits</u>	<u>Total</u>
\$ <u>6,692</u>	\$ <u>225</u>	\$ <u>227</u>	\$ <u>98</u>	\$ <u>20,265,606</u>
-	-	-	-	18,347,929
-	-	-	-	1,716,684
-	-	-	-	116,995
-	-	3,078	-	265,390
-	-	-	-	4,142,168
-	-	-	-	49,418
-	-	-	-	722,375
866	274,811	-	-	353,636
<u>866</u>	<u>274,811</u>	<u>3,078</u>	<u>-</u>	<u>25,714,595</u>
-	-	-	-	160,380
870	274,811	3,130	98	23,144,769
-	-	-	-	725,975
<u>870</u>	<u>274,811</u>	<u>3,130</u>	<u>98</u>	<u>24,031,124</u>
\$ <u>6,688</u>	\$ <u>225</u>	\$ <u>175</u>	\$ <u>-</u>	\$ <u>21,949,077</u>

JEFFERSON COUNTY, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	<u>Modified Accrual Basis</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>REVENUES:</u>				
Property and other county tax	\$ 5,309,912	\$ 5,438,465	\$ 5,598,407	\$ 5,559,601
Local option sales tax	806,312	699,037	663,638	477,840
Interest and penalty on property tax	64,493	60,777	69,208	76,040
Intergovernmental	4,130,895	3,523,890	3,504,848	2,887,717
Licenses and permits	27,620	24,656	19,145	68,475
Charges for service	581,852	529,699	595,732	726,770
Use of money and property	73,090	120,012	72,125	36,776
Miscellaneous	<u>96,284</u>	<u>97,419</u>	<u>304,155</u>	<u>185,476</u>
 Total	 \$ <u>11,090,458</u>	 \$ <u>10,493,955</u>	 \$ <u>10,827,258</u>	 \$ <u>10,018,695</u>
<u>EXPENDITURES:</u>				
Operating:				
Public safety and legal services	\$ 2,889,253	\$ 2,763,607	\$ 2,756,147	\$ 2,801,131
Physical health and social services	803,177	804,293	873,722	828,913
Mental health	657,360	533,505	541,922	272,493
County environment and education	662,544	655,195	667,391	606,578
Roads and transportation	4,158,094	3,535,063	3,294,945	3,759,037
Governmental services to residents	472,841	515,426	524,096	494,614
Administration	1,114,572	1,060,891	962,241	831,065
Non program	5,040	9,664	2,696	-
Debt service	254,700	253,450	293,939	207,640
Capital projects	<u>331,913</u>	<u>67,526</u>	<u>138,708</u>	<u>890,078</u>
 Total	 \$ <u>11,349,494</u>	 \$ <u>10,198,620</u>	 \$ <u>10,055,807</u>	 \$ <u>10,691,549</u>

* Local option sales tax included in Property and other county tax

Year Ended June 30,					
2012	2011	2010	2009	2008	2007
\$ 5,937,099	\$ 5,544,728	\$ 5,213,013	\$ 4,800,437	\$ 4,379,635	\$ 4,175,273
*	*	*	*	*	*
80,118	81,080	82,363	65,526	58,912	56,977
3,634,526	3,703,435	3,295,707	3,253,550	3,175,776	3,450,156
16,717	11,151	12,902	14,420	12,021	13,358
521,641	601,896	514,895	657,321	659,243	788,971
78,486	93,591	135,007	235,308	397,278	295,592
<u>158,868</u>	<u>162,912</u>	<u>222,536</u>	<u>173,359</u>	<u>96,700</u>	<u>83,141</u>
\$ <u>10,427,455</u>	\$ <u>10,198,793</u>	\$ <u>9,476,423</u>	\$ <u>9,199,921</u>	\$ <u>8,779,565</u>	\$ <u>8,863,468</u>
\$ 2,752,987	\$ 2,573,062	\$ 2,788,795	\$ 2,487,850	\$ 2,473,279	\$ 2,386,492
690,339	725,492	669,250	575,735	568,088	528,702
1,286,966	1,179,741	1,060,162	1,204,274	1,211,153	1,043,660
585,416	842,549	655,785	586,388	563,347	517,918
3,475,886	3,143,908	2,590,730	3,323,315	2,891,357	2,290,459
478,523	453,622	505,306	456,132	381,381	375,215
908,717	972,070	820,825	796,889	855,474	892,812
6,682	-	-	-	-	-
210,907	195,672	190,581	161,458	161,605	158,331
<u>194,248</u>	<u>447,930</u>	<u>974,309</u>	<u>196,893</u>	<u>266,652</u>	<u>856,395</u>
\$ <u>10,590,671</u>	\$ <u>10,534,046</u>	\$ <u>10,255,743</u>	\$ <u>9,788,934</u>	\$ <u>9,372,336</u>	\$ <u>9,049,984</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the officials of Jefferson County, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jefferson County, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Jefferson County, Iowa's basic financial statements and have issued our report thereon dated February 8, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jefferson County, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jefferson County, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of Jefferson County, Iowa's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items II-A-16 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings as items II-B-16 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson County, Iowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Jefferson County, Iowa's Response to Findings

Jefferson County, Iowa's responses to the findings identified in our audit are described in the accompanying schedule of findings. Jefferson County, Iowa's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Jefferson County, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO., P.C.

Ottumwa, Iowa
February 8, 2017

JEFFERSON COUNTY, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016

PART I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INTERNAL CONTROL DEFICIENCIES:

II-A-16 Segregation of Duties

Comment – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

Applicable Offices

- | | |
|--|---|
| 1. All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records. | Ag Extension
Auditor
Recorder
Treasurer |
| 2. Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash. | Ag Extension
Auditor
Recorder
Sheriff
Treasurer |
| 3. Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment. | Ag Extension
Auditor
Recorder
Sheriff
Treasurer |

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

Responses –

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

JEFFERSON COUNTY, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

INTERNAL CONTROL DEFICIENCIES: (Continued)

II-A-16 Segregation of Duties (Continued)

Responses (Continued)

County Auditor – The internal control in processing mail, receipts, claims and payroll will be reviewed and evaluated for propriety. The auditors will evaluate the assignment of personnel in each process and determine if an alternative method would enhance internal controls.

County Recorder – We will review procedures and try to make any necessary changes to improve internal control.

County Sheriff – We will review procedures and try to make any necessary changes to improve internal control.

County Treasurer – We will review procedures and try to make any necessary changes to improve internal control.

Conclusion – Responses accepted.

II-B-16 Outstanding checks/warrants

Comment – Several old outstanding checks/warrants are included on the bank reconciliation for the treasurer's office.

Recommendation – The County should write-off the old outstanding checks/warrants and properly credit the applicable funds.

Response – We will do so.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

III-A-16 Certified Budget – Disbursements during the year ended June 30, 2016 did not exceed the amounts budgeted.

III-B-16 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-16 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

III-D-16 Business Transactions – No business transactions between the County and County officials or employees were noted.

III-E-16 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions.

JEFFERSON COUNTY, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016

PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING: (Continued)

- III-F-16 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-G-16 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investments policy were noted.
- III-H-16 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- III-I-16 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2016 for the County Extension Office did not exceed the amount budgeted.